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IN THE UNITED STATES DISTRICT COURT

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IN AND FOR THE DISTRICT OF DELAWARE

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COOPER NOTIFICATION, INC., - - - CIVIL ACTION

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Plaintiff, :

5

v. :

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TWITTER, INC, EVERBRIDGE, INC., :

7

and FEDERAL SIGNAL CORP., :

8

Defendants. NO. 09-865 (LPS)

9

Wilmington, Delaware

10

Thursday, February 23, 2012

11

*Oral Argument Hearing*

12

BEFORE: HONORABLE **LEONARD P. STARK**, U.S.D.C.J.

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APPEARANCES: - - -

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POTTER, ANDERSON & CORROON, LLP

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BY: PHILIP A. ROVNER, ESQ., and

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JONATHAN A. CHOA, ESQ.

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Counsel for Cooper Notification, Inc.

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ASHBY & GEDDES, P.A.

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BY: JOHN G. DAY, ESQ.

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and

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FENWICK & WEST, LLP

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BY: RYAN J. MARTON, ESQ.

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1 APPEARANCES: (Continued)

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3 BY: JAMES L. HIGGINS, ESQ.

4 Counsel on behalf of Federal Signal Corp.

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6 BY: FREDERICK COTTRELL, III, ESQ.

7 Counsel for Everbridge, Inc.

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11 P R O C E E D I N G S

09:42:25 12 (REPORTER'S NOTE: The following oral argument

09:42:26 13 hearing was held in open court, beginning at 1:58 p.m.)

01:58:40 14 THE COURT: Good afternoon.

01:58:53 15 (The attorneys respond, "Good afternoon, your  
01:58:56 16 Honor.")

01:58:56 17 THE COURT: Let's begin by having you put your  
02:02:13 18 appearances on the record for me.

02:02:14 19 MR. ROVNER: Your Honor, for the plaintiff,  
02:02:15 20 Cooper Notification, Phil Rovner and Jonathan Choa from  
02:02:19 21 Potter Anderson.

02:02:20 22 THE COURT: Welcome.

02:02:21 23 MR. ROVNER: Thank you, your Honor, for moving  
02:02:22 24 the hearing up a bit. That was a conflict of mine and I  
02:02:25 25 appreciate it.

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02:03:17 1 Basically, as the documents that we've submitted  
02:03:18 2 with our papers readily reflect, it appears that Cooper agrees  
02:03:27 3 with this but it is not certain, Cooper has dismissed claims  
02:03:32 4 1 through 11 of the '428 patent with prejudice. They have  
02:03:36 5 agreed with the defendants outside of court and not with any  
02:03:39 6 document filed with his court that this has in fact happened,  
02:03:43 7 but in their filings, the letter brief they filed while claim  
02:03:47 8 construction was pending, I think it is Docket 331, they  
02:03:51 9 stated they're not asserting these claims and in their  
02:03:55 10 opposition to our instant motion they're saying we're not  
02:03:57 11 asserting these claims. They don't actually recognize that  
02:04:00 12 they have agreed to dismiss with prejudice these claims.

02:04:03 13 If we can get them to state on the record today  
02:04:07 14 that in fact all parties have agreed that claims 1 through  
02:04:11 15 11 of the '428 patent have been dismissed with prejudice,  
02:04:14 16 then I think defendants can withdraw their motion.

02:04:17 17 THE COURT: Have you discussed that with  
02:04:19 18 Mr. Rovner?

02:04:19 19 MR. MARTON: I haven't.

02:04:20 20 THE COURT: You have or have not?

02:04:21 21 MR. MARTON: Have not.

02:04:22 22 THE COURT: Mr. Rovner, are you going to be  
02:04:24 23 prepared to say that?

02:04:26 24 MR. ROVNER: No, your Honor. If I had been  
02:04:28 25 prepared to say that, we wouldn't be here today on it. We

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02:02:25 1 THE COURT: It was no problem.

02:02:27 2 MR. DAY: Good afternoon, your Honor.

02:02:28 3 THE COURT: Good afternoon.

02:02:29 4 MR. DAY: On behalf of defendant Twitter, John  
02:02:32 5 Day from Ashby & Geddes. With me and presenting argument  
02:02:34 6 for Twitter today, Ryan Marton from Fenwick & West.

02:02:39 7 THE COURT: Thank you, your Honor.

02:02:40 8 MR. COTTRELL: Good afternoon, your Honor.

02:02:41 9 THE COURT: Good afternoon.

02:02:41 10 MR. COTTRELL: Fred Cottrell for defendant  
02:02:43 11 Everbridge.

02:02:44 12 THE COURT: Thank you.

02:02:45 13 MR. HIGGINS: Good afternoon, your Honor. Jim  
02:02:47 14 Higgins for Federal Signal.

02:02:48 15 THE COURT: Okay. Great.

02:02:50 16 Well, we are here on two motions both filed by  
02:02:53 17 Twitter and Mr. Marton, you are the one that I going to  
02:02:56 18 argue that; is that correct?

02:02:57 19 MR. MARTON: That is correct.

02:02:58 20 THE COURT: Well, we'll hear from you first. Go  
02:03:00 21 ahead and argue both of them, then we'll let plaintiff  
02:03:04 22 respond.

02:03:04 23 MR. MARTON: Okay. I'll start with the motion  
02:03:06 24 to dismiss that implicates my codefendants as well. I think  
02:03:11 25 we might be able to dispose of it fairly quickly.

5

02:04:30 1 wouldn't have filed opposition papers.

02:04:32 2 THE COURT: Then let's hear whatever argument  
02:04:35 3 you wish to make.

02:04:35 4 MR. MARTON: Sure. Sure.

02:04:36 5 So after the close of discovery in this case,  
02:04:39 6 five days before opening expert reports were due, counsel  
02:04:43 7 for Cooper sent me an e-mail stating that they're withdrawing  
02:04:47 8 claims 1 through 11. I responded shortly thereafter saying  
02:04:52 9 are you dismissing these claims with prejudice?

02:04:55 10 The response from Paul Andre for Cooper was yes,  
02:05:01 11 '428 patent, claims 1 through 11 with prejudice.

02:05:05 12 I asked subsequently, can we enter a stipulation  
02:05:07 13 to this effect?

02:05:08 14 Paul Andre said yes. He provided a stipulation.

02:05:11 15 We made nonsubstantive edits to that stipulation  
02:05:15 16 and sent it back. Cooper's counsel went silent. We repeat-  
02:05:21 17 edly asked, can we get this thing on file? Can we get this  
02:05:23 18 thing on file? Ultimately he said no, we're not going to  
02:05:29 19 file it. We see no reason to file something with the court.  
02:05:31 20 We'll just leave the stipulation as is.

02:05:34 21 Though he did not expressly say we're going to  
02:05:37 22 agree to the stipulation at that point, to the form of that  
02:05:40 23 stipulation, he acted as though the claims had in fact been  
02:05:45 24 dismissed with prejudice, moving forward in the case.

02:05:47 25 At this point, what we're looking for is some

1 affirmation either from Cooper or the Court that this  
2 stipulation has been entered.

3 THE COURT: Let me ask you, because it is  
4 formally here as a motion to dismiss.

5 MR. MARTON: Sure.

6 THE COURT: Are you moving to dismiss for lack  
7 of subject matter jurisdiction or are you saying there is a  
8 case in controversy? What is it exactly that you are asking  
9 me to do?

10 MR. MARTON: It depends on Cooper's position  
11 which is not yet clear to me. If their statement is that  
12 these claims are now just unasserted but not with prejudice,  
13 so they're unasserted but they retain the right to assert  
14 them later, then there is a case or controversy, and we're  
15 asking for a motion to dismiss under 41(b), Rule 41(b),  
16 which is failure to prosecute.

17 If there is an agreement that they have  
18 dismissed these claims 1 through 11 with prejudice, then  
19 we'll agree that there is no subject matter jurisdiction,  
20 and it would be under 12(b)(1).

21 THE COURT: All right. So there is 41(b). I  
22 suppose, alternatively, I could direct you to file a motion  
23 for summary judgment.

24 MR. MARTON: That could work as well.

25 THE COURT: Because they're not going to be able

1 to show me evidence in the record to support a claim of  
2 infringement on claims 1 through 11; correct?

3 MR. MARTON: That could work as well.

4 THE COURT: As of today, though, or as of this  
5 moment, it appears 1 through 11 are in the case and not  
6 just there for infringement purposes but you moved for or  
7 defended yourself contending that they are invalid; correct?

8 MR. MARTON: That is true. They are part of the  
9 plaintiff's infringement contentions. They were not part  
10 of the plaintiff's expert report regarding infringement.

11 THE COURT: But are they part of your effort to  
12 invalidate the patent?

13 MR. MARTON: They are not part of our invalidity  
14 expert report. They are part of our invalidity contentions.

15 THE COURT: They were going to be part of your  
16 expert report.

17 MR. MARTON: Absolutely, and we did not include  
18 them based upon the representations from Cooper's counsel.  
19 The day before our invalidity expert report was due, I  
20 received a stipulation from Paul Andre that was substantively  
21 satisfactory. I made minor non-subsequent edits to it and  
22 sent it back.

23 THE COURT: You submitted to me I think it is  
24 called *Streck*, the recent case from the Federal Circuit.

25 MR. MARTON: Yes.

1 THE COURT: And I appreciate that you didn't  
2 draw it into the argument, that was complying with the  
3 rules, but here we are now. Tell me if you think this case  
4 helps you.

5 MR. MARTON: It doesn't.

6 THE COURT: Okay.

7 MR. MARTON: We did not submit that because it  
8 helps us. We submitted it because it is recent case law on  
9 an issue that we know the plaintiff intends to argue.

10 *Streck* and the other case that plaintiffs rely  
11 on, the *Hoffman* case from New Jersey, about the lack of  
12 jurisdiction over unasserted claims, are not applicable here  
13 for the reasons we've already discussed but, in particular,  
14 in *Streck* and in *Hoffman*, there was a general complaint of  
15 you infringe a particular patent and then the first round  
16 of infringement contentions specifically did not include  
17 the claims that the Court determined it did not have  
18 jurisdiction over.

19 In our case, we litigated this whole case all  
20 the way up to expert reports as though those claims were in  
21 the case. We're talking through discovery, through claim  
22 construction. It is a very different scenario. They're not  
23 unasserted claims.

24 THE COURT: Is there anything you want to add  
25 before you go on to the other motion?

1 MR. MARTON: No. Actually, I think that's it.

2 THE COURT: Let's talk about your other motion  
3 then now.

4 MR. MARTON: Okay. This is Twitter's motion  
5 for leave to amend its answering counterclaim to add in  
6 substance an inequitable conduct allegation that's based on  
7 Cooper's failure to disclose the fact that two commercial  
8 embodiments of the patent were on sale and in use more than  
9 a year prior to the critical date, which is April, actually  
10 April 2002.

11 The touchstone for this motion, as the Court  
12 knows and I think the plaintiffs have acknowledged, is  
13 whether or not there is prejudice. There is no identifiable  
14 prejudice by this late amendment. We acknowledge that it is  
15 a late amendment, but Cooper has had full discovery on this  
16 on-sale bar.

17 THE COURT: Is your counterclaim and associated  
18 affirmative defenses, is it absolutely identical with what  
19 your codefendants have pled?

20 MR. MARTON: Yes. The pleading is a little bit  
21 different but the substance is identical.

22 THE COURT: If I allow it into the case, it is  
23 not going to expand anything, it is going to be the same  
24 claim that is already here twice already?

25 MR. MARTON: It will be the exact same claim.

1 It has been explained in our expert reports. It has been  
2 the subject of numerous depositions.

3 THE COURT: Did the defendants put in separate  
4 experts on inequitable conduct?

5 MR. MARTON: No.

6 THE COURT: You can go on.

7 MR. MARTON: I mean as a practical matter, if  
8 this motion is denied and all the defendants stay in the  
9 case, the jury trial will be the same or the trial will be  
10 the same on inequitable conduct, and it will have the same  
11 impact.

12 Our concern is if, for whatever reason, the other  
13 defendants fall out of the case, we want to also be able to  
14 proceed with this defense. And the reason -- I should address  
15 this. The reason we delayed in pleading this is it is pretty  
16 clear from *Therasense*, from -- there was a case here, *Enzo*  
17 *Life Sciences v Digene* that was before Farnan, also a case  
18 *Advanced Cardiovascular v Medtronic* in the Northern District  
19 of California, all cited in our papers, that make clear that  
20 when you are pleading inequitable conduct, because of 9(b),  
21 it is prudent, if not advised, that you wait until you have  
22 conducted a fair amount of discovery to make sure you actually  
23 have a legitimate claim. That is what we did.

24 With respect to the sale of REACT, we waited  
25 until we got to depose the inventors to find out about that

1 sale.

2 With respect to the sale of RoaMail, the issue  
3 was whether RoaMail practiced the invention. We waited  
4 until we got the code for that product before we pled it.  
5 That's all we did.

6 THE COURT: I thought the argument was you  
7 waited only until after you deposed this Mr. Freudberg.

8 MR. MARTON: Well, Freudberg was a third party,  
9 actually. He was the first witness we deposed and we  
10 realized from deposing him that there had been an offer for  
11 sale to the counsel of government but subsequently in the  
12 coming weeks, we also deposed the inventors. We did most of  
13 the depositions in August -- Well, Freudberg was in July.  
14 Most of the depositions were in August and September.

15 THE COURT: There is an argument that you have  
16 not adequately pled intent and, therefore, your proposed  
17 amendment is futile. What do you say to that?

18 MR. MARTON: So as we all know, intent can be  
19 pled generally. And I understand that our obligation is to  
20 plead facts from which an inference of intent can be gleaned  
21 and I believe we have done that.

22 This is a quintessential case of inequitable  
23 conduct. It is not third party prior art that wasn't disclosed  
24 to the Patent Office. These are commercial embodiments that  
25 were sold, they were part of a sales blitz for two years

1 prior to filing for a patent application.

2 Filing the patent application was an  
3 afterthought; and the fact that the inventors who were all  
4 involved in the sales of these products, who then prosecuted  
5 this patent did not disclose existence of these commercial  
6 embodiments and the fact that they were on sale and in use,  
7 the only reasonable inference is that they intended to  
8 deceive the PTO. We plead those facts. We think that you  
9 can infer deceptive intent, and we think our pleading is  
10 fine.

11 THE COURT: At this stage, do I have to find it  
12 is the single most reasonable inference?

13 MR. MARTON: I don't think you do at this stage.  
14 I think ultimately that's whether or not we prevail on the  
15 claim.

16 THE COURT: Is there anything else you want to add?

17 MR. MARTON: Nothing else.

18 THE COURT: Okay. Mr. Rovner.

19 MR. ROVNER: Your Honor, I'll be addressing the  
20 claims 1 through 11, and Mr. Choa will address the motion to  
21 amend.

22 THE COURT: Okay.

23 MR. ROVNER: The situation here is something  
24 that I think is sort of we're crossing in the night here.

25 What I've understood until I think a few minutes ago what

1 the defendants were concerned about was something that  
2 these claims 1 through 11 would somehow be kept alive and  
3 they would face them another day. I mean by citing the  
4 *Super Sack* line of cases. That is clearly what they had in  
5 mind: If there was some sort of concern that jurisdiction  
6 wasn't divested from here and that was there some sort of  
7 jurisdiction, continuing jurisdiction over their counterclaims  
8 or, in *Super Sack*, like a DJ count.

9 The situation in those line of cases is totally  
10 different. Those dealt with patents. Did a defendant feel  
11 that there was a threat that a patent would be asserted  
12 against them, and, therefore, wondering whether there was  
13 sort of a finality there or whether they needed to keep  
14 their invalidity counterclaim or DJ count alive. That is  
15 the line of cases they were talking about in their briefing.

16 The problem here that is we've got claims, and  
17 the distinction that was made today is somehow there is a  
18 difference between a claim that was once asserted and a  
19 claim that was never asserted. And I think the confusion  
20 here is we're talking about causes of action, a patent cause  
21 of action alleging infringement of a patent versus claims of  
22 a patent.

23 We don't want a situation where your Honor  
24 dismisses -- Let me put it this way. We have a cause of  
25 action for infringement of the patent in suit. That is a

1 viable cause of action because we have claims that are going  
2 forward. By eliminating a number of those claims, here. 1  
3 through 11, there is a danger of you are dismissing part of  
4 our cause of action. It doesn't seem proper, and I have  
5 never seen a case that differentiated between an unasserted  
6 claim and a claim that was asserted and dropped.

7 Your Honor, in your two years, have had many,  
8 many patent cases. I don't know if you have ever come  
9 across a situation where you have got a patentee/plaintiff  
10 files a claim for patent infringement and the patent at  
11 issue has 20 claims, and they assert claims 1 through 18.

12 No defendant that I have ever seen or if I am a  
13 defendant, I never say, your Honor, point of parliamentary  
14 procedure here. We want you to dismiss claims 19 and 20  
15 because they were not asserted. That doesn't ever happen.

16 Here, there were claims asserted and those  
17 claims had been dropped, and whether you want or they want  
18 some sort of agreement we won't pursue them, we don't think  
19 it is necessary. They're done. Our chance to bring these  
20 claims, claims 1 through 11, in this case, we had the  
21 opportunity. It is gone now. We have walked away. They  
22 never face these claims again. And the cases cited in our  
23 brief are right on point.

24 THE COURT: You will never face them again, here  
25 and anywhere?

15

1 MR. ROVNER: Ever. This was our chance. We  
2 brought the '428 patent. We claimed infringement of the  
3 '428. This is our shot. We're now limited to claims 12  
4 through 18. I don't know what else they want.

5 The reason we did not want to stipulate, once we  
6 thought it through, stipulation of dismissal is because you  
7 dismiss causes of action. You don't dismiss elements of a  
8 claim.

9 We were discussing it the other day. And one of  
10 the examples is let's just say you have a breach of contract  
11 claim, and you allege you didn't provide me with the number  
12 of widgets that you promised, and that even if you did, your  
13 widgets were not conforming, they were below standard. And  
14 it turns out that it is proven that the number of widgets  
15 was correct. So we still have the claim that the widgets  
16 were bad.

17 You don't dismiss that sentence of the cause of  
18 action. You don't dismiss a portion of the cause of action.  
19 You may not be able to prove it but you walk away. It is  
20 not a dismissal with prejudice. But they've got Cooper's  
21 word -- it is not word but we're done. We can't bring this  
22 case in any other court anywhere.

23 We're just concerned that we don't want a  
24 stipulation of dismissal that you sign saying somehow part  
25 of this '428 patent is dismissed. It is not form over

1 substance but you can't dismiss.

2 THE COURT: Well, as I understand it, your only  
3 concern is to make sure claims 12 through, whatever it is,  
4 18 are still here, and that you can still proceed on them.  
5 Correct?

6 MR. ROVNER: That is correct.

7 THE COURT: So why can't you all work out a  
8 stipulation of dismissal that makes very clear that 12  
9 through 18 are forever still yours?

10 MR. ROVNER: Because, again, this is a -- we  
11 will sign a covenant not to sue. We will do whatever the  
12 mechanism that gives them assurances that they don't have  
13 to ever worry about the '428 patent, I mean ever again. And  
14 that is just because we don't believe you have to do that  
15 because there are so many -- you know, it is res judicata.  
16 It is law of the case.

17 THE COURT: But those things do require  
18 potentially, you guys want it, requires them to take some  
19 steps to enforce that. You could turn around and sue them  
20 again in the future and make them file a motion to dismiss  
21 based on res judicata.

22 MR. ROVNER: We could do that even if there was  
23 a stipulation of dismissal. I mean it would be sort of  
24 silly, just like it would be silly to assert claims that  
25 we dropped. And in open court, I am telling you we are

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1 dropping those claims, but we don't think the procedural  
2 mechanism is a dismissal, because it is not a dismissal of  
3 a cause of action. It is a dismissal of some claims of a  
4 patent that is going forward.

5 THE COURT: So why did Mr. Andre send a  
6 stipulation in the first place?

7 MR. ROVNER: Well, I believe what happened is,  
8 what his view was -- and this is something that he regrets  
9 now -- but by saying with prejudice, what he meant was we're  
10 never going to bother you again.

11 When it was pointed out to him by his trusted  
12 counsel that that was inappropriate, we realized that we'll  
13 give them every assurance that they want but having it  
14 dismissed, part of the patent claims dismissed is inappropriate.  
15 That's all. But we're done with everything but claims 12  
16 through 18.

17 THE COURT: All right. Is there anything else  
18 you want to say?

19 MR. ROVNER: No. That's all, your Honor.

20 THE COURT: All right. Let me hear from Mr. Choa.

21 MR. CHOA: Good afternoon, your Honor.

22 THE COURT: Good afternoon.

23 MR. CHOA: Prejudice is no doubt one of the  
24 grounds on which Cooper has opposed the motion to amend.  
25 There are also additional grounds, which include undue

1 delay, bad faith, as your Honor touched upon earlier,  
2 futility of amendment. And because of that, and because  
3 Twitter has moved to amend after the time provided for in  
4 the scheduling order, they must show that there is good  
5 cause for the motion.

6 On the undue delay point, Everbridge filed its  
7 claim for inequitable conduct on January 22, 2010. Federal  
8 Signal filled its counterclaim for inequitable conduct on  
9 February 26th, 2010.

10 Twitter did not. Twitter waited until  
11 September 9th, 2011, over a year later, to seek leave to  
12 amend to add its claim of inequitable conduct. It also  
13 waited until over ten months after the time provided for  
14 doing so in the scheduling order.

15 At the very least, upon seeing their codefendants  
16 claims for inequitable conduct, Twitter was put on notice  
17 there was a potential issue of inequitable conduct in this  
18 case, and they were obligated to conduct discovery in an  
19 expeditious manner which would have allowed them to seek  
20 leave to amend their answer and counterclaims within the  
21 appropriate time period.

22 In this *Pressure Products Medical Supplies* case  
23 that was cited in Cooper's answering brief, the Federal  
24 Circuit held that: The issue of inequitable conduct was  
25 evident from the declarations that the inventors had filed

1 with the PTO. The Federal Circuit, in denying leave to  
2 amend for inequitable -- to add a claim of inequitable  
3 conduct said once you got the file wrapper, you were aware  
4 of these declarations. You should have gone out and  
5 conducted discovery in a timely manner so you could have  
6 pled these claims appropriately.

7 In addition, there is also the bad faith ground.  
8 Twitter waited until the eve of the close of fact discovery to  
9 seek leave to amend. There are really only two explanations  
10 for this. Either it didn't believe its codefendants had a  
11 Rule 11 basis to make their claims and their answers and  
12 defenses or it waited to prejudice Cooper.

13 Twitter's excuse that it was relying on fact  
14 discovery before bringing its claims is belied by its own  
15 papers. When they filed their opening brief and their  
16 motion, there had been no inventor depositions yet -- the  
17 inventor depositions, two of which I believe took place  
18 before the reply brief was filed but not until after the  
19 motion and the opening brief. If they were truly waiting  
20 for discovery, they would have waited until they had deposed  
21 the inventors or at least prosecution counsel so they could  
22 have added these details both to their amendments and their  
23 motion papers.

24 They also touched upon the prejudice angle.

25 And Twitter claims there is no prejudice to Cooper because

1 Federal Signal and Everbridge already have inequitable  
2 conduct claims in their case. They actually pointed out  
3 the very prejudice to Cooper is that if Federal Signal and  
4 Everbridge do not go forward in this case and do not go to  
5 trial, there is no inequitable conduct claim.

6 In essence, Twitter, by waiting for so long to  
7 amend, they tendered this defense to their codefendants.  
8 And if we go forward to trial and the codefendants are there  
9 and there is a finding of inequitable conduct, then Twitter  
10 will benefit. And if they somehow do not go to trial and  
11 Twitter is not allowed to bring its inequitable conduct  
12 case, well, that is prejudice to Twitter but it is of their  
13 own making.

14 THE COURT: And the alternative is a cognizable  
15 prejudice that the Court should be concerned with? That if  
16 you can reach a deal with the other two defendants on a  
17 defense that is fully prepared that you have known about  
18 since pretty much the beginning of the case, that you have a  
19 right to get rid of it?

20 MR. CHOA: I think it goes to playing within the  
21 rules of the game. The scheduling order set forth the time  
22 to amend. Cooper had a right to know what claims it would  
23 be facing at trial and from which defendants.

24 As you can see from the summary judgment briefs,  
25 the defendants have not spoke formally with one voice, and

1 to say at this point Twitter should be allowed to lob these  
2 claims in at the very end just to protect itself should its  
3 codefendants drop out of trial, well, the time for that has  
4 passed, your Honor. The prejudice comes from the fact, the  
5 very fact they could be facing an inequitable conduct claim  
6 but they should not be normally facing that had Twitter  
7 followed the rules.

8 In terms of preparing the defense and knowing  
9 about it all along, even in Twitter's amendments, they don't  
10 name a specific individual. That is kind of the touchtone  
11 of inequitable conduct. You can't lob these claims against  
12 a generic body, against a person. The cases all say a  
13 specific individual. And if you look at Twitter's  
14 amendments, if you look at their briefs, they say one or  
15 more inventors. They don't name the person who knew of the  
16 alleged material information. They don't name the person  
17 who had the intent to deceive the PTO. There is no  
18 specificity that is required. And,

19 That goes to the final point, which is the  
20 futility and the intent to deceive. And as your Honor  
21 asked, do they at this point have to show that the single  
22 most reasonable inference is intent to deceive? And they  
23 do. And that is what the Federal Circuit held. Under Rule  
24 9(b), the pleading stage, you have to look at all of the  
25 facts alleged and determine if the single most reasonable

1 inference is that they intended to mislead the PTO. And if  
 2 you look at the allegations and the amendments and you look  
 3 at Twitter's papers, that is simply not there. The argument  
 4 has always been, and it continues to be this day and is in  
 5 the summary judgment briefing, is that the alleged REACT and  
 6 RoaMail do not embody the claims of the '428 patent. And,  
 7 therefore, they would not material information that they  
 8 were required to disclose to the PTO.

9 In addition, its allegation of intent is so  
 10 broad, it doesn't even -- even if they didn't have to allege  
 11 a single most reasonable inference this time, they haven't  
 12 alleged really any inference. All they say is a reasonable  
 13 inference is that the omission of the public use or the  
 14 offer to sell the REACT system and a RoaMail system was  
 15 intentionally designed to mislead or deceive the U.S. Patent  
 16 and Trademark Office.

17 That is boilerplate language, your Honor. There  
 18 is no facts to back it up. There is no specific allegation  
 19 to back it up. And if they had the depositions that they  
 20 claim of the inventors, well, that should have been in their  
 21 papers and that should have been in their amendment.

22 In addition to failing to allege the intent  
 23 point, I don't want to belabor it because it is briefed  
 24 heavily in the summary judgments papers, but there is no  
 25 evidence that RoaMail and REACT embodied the '428 patent.

1 The deposition of Mr. Freudberg. He had no access to source  
 2 code. He didn't -- he wasn't a technical guy. He doesn't  
 3 know what he was seeing compared to what was in the '428  
 4 patent. He testified he had no access to source code and he  
 5 could not identify what software modules were present at any  
 6 given point in time.

7 Twitter also relies on the source code but the  
 8 source code they relied upon postdates the priority date of  
 9 the '428 patent, so whatever is in that source code is not  
 10 evidence as to what existed prior to the critical date.

11 Finally, there was one document relied upon by  
 12 Twitter which was an e-mail but it actually shows that the  
 13 RoaMail service was meant to be an e-mail forwarding service,  
 14 not the mass notification system that is present in the '428  
 15 patent.

16 So, your Honor, while we believe there is only  
 17 one basis necessary for you to find to deny their amendment,  
 18 whether it is undue delay, whether it is bad faith, whether  
 19 it is prejudice, or whether it is futility, we think all  
 20 four are present.

21 As Twitter has acknowledged in the paper,  
 22 inequitable conduct is the atomic bomb of patent litigation  
 23 and its use in this case should be guardedly restricted as  
 24 such because it is a very damaging allegation.

25 THE COURT: In your brief, you suggest there is

1 some discovery you might still want on inequitable conduct.  
 2 I recognize you wrote that brief some months ago. Is there  
 3 still something that you would seek if I grant relief?

4 MR. CHOA: I would have to review that, your  
 5 Honor. I think we certainly would want to know what  
 6 individual they're accusing. One or more inventors doesn't  
 7 cut it, you need the name, and that is certainly something  
 8 we would seek to get.

9 THE COURT: Do you agree with Mr. Marton that  
 10 the allegations that Twitter seeks to add to the case are  
 11 exactly same that are already in the case by their  
 12 codefendants?

13 MR. CHOA: I will preface the representation,  
 14 the pleadings are different. They are not word for word  
 15 identical.

16 THE COURT: Is it true they put in a combined  
 17 expert report on this?

18 MR. CHOA: I believe that is true, your Honor.  
 19 But it also goes to the identity. Without the naming of the  
 20 inventor, I don't know if Twitter has the same person as  
 21 Everbridge and Federal Signal do. I don't know if they intend  
 22 to accuse the prosecuting attorney or just the inventor.  
 23 That's part of the problem with their amendment.

24 THE COURT: But you have seen their expert  
 25 report at this point.

1 MR. CHOA: That is correct, Your Honor.

2 THE COURT: Is there anything else?

3 MR. CHOA: That's all.

4 THE COURT: All right. Mr. Marton.

5 MR. MARTON: Thank you, your Honor. I'll be  
 6 brief and address just the points that I think are most  
 7 critical.

8 Starting with the motion to dismiss. Cooper's  
 9 counsel has represented that its primary concern is that  
 10 dismissals are about causes of action, not claims, like  
 11 particular claims within a patent.

12 It is common in patent litigation that there be  
 13 summary judgments of noninfringement or summary judgment  
 14 dismissals of patent claims, specific to claims. We have  
 15 all seen them. Claims 1 through 11 could be dismissed per  
 16 summary judgment and claims 12 through 18 could survive, and  
 17 it would be very, very clear, and there would be no harm or  
 18 damage whatsoever to Cooper if we did this. That may be a  
 19 solution that we could follow here.

20 THE COURT: What about the offer of a covenant  
 21 not to sue? Would that satisfy the defendants?

22 MR. MARTON: If there was a covenant not to sue  
 23 that was filed before this Court that said we're not asserting  
 24 these claims and we never will, that would be fine. I just  
 25 want something on the record before the Court.



1 THE COURT: And Mr. Rovner's repeated statements  
2 here in open court are not enough.

3 MR. MARTON: They come very, very close. I just  
4 have some hesitation because I honestly don't understand why  
5 we cannot enter the stipulation that was first agreed upon,  
6 why there can't be an acknowledgment on the record by Cooper  
7 that there is a dismissal with prejudice. It doesn't make  
8 sense to me.

9 THE COURT: Well, at this point, I heard  
10 everything you have heard. What is defendant's request? Do  
11 you want time to talk, see if you can work out a covenant  
12 not to sue or do you want me to rule on the motion?

13 MR. MARTON: I'd like you to rule on the motion.  
14 I want a dismissal with prejudice. I see no downside, and  
15 it can specifically say claims 12 through 18 are still in  
16 the case. The Court can enter the stipulation that was  
17 proposed by plaintiff before I made my nonsubstantive edits  
18 to it. That would be fine.

19 THE COURT: Go on.

20 MR. MARTON: So that is all I have to say about  
21 the motion to dismiss.

22 On the motion for leave to amend, I'll start with  
23 prejudice. It sounds like Cooper's notion of prejudice here  
24 is based on some kind of equitable principle that because  
25 Twitter, according to Cooper, tendered the inequitable conduct

1 defense to its codefendants, it should not be allowed to  
2 benefit from it, should the codefendants be dismissed from  
3 the case.

4 Beside from the fact that that is not a legally  
5 sound argument, it is just not based on an adequate factual  
6 predicate. Twitter did not tender this defense to its  
7 codefendants. Twitter worked this defense up and waited until  
8 it was very comfortable with it to plead it. And there is no  
9 harm or prejudice whatsoever to Cooper if Twitter is allowed  
10 to proceed.

11 With respect to the futility arguments about that  
12 there is no on-sale bar or public use of these products, it is  
13 thoroughly briefed in our summary judgment motions. There is  
14 an abundance of evidence that both products were on sale, in  
15 use and are commercial embodiments of the patent and to argue  
16 that this is somehow futile is a strained position to take.

17 This is quintessential inequitable conduct. This  
18 reaches back to *Keystone Driller*. This is what started the  
19 concept of inequitable conduct. It is this concerted and  
20 planned deception of the PTO based on some misstep taken before  
21 the filing of the patent. It was done by the inventors and  
22 their prosecuting counsel. We submit that we didn't specific-  
23 ally name each inventor but we are asserting that each  
24 inventor was involved in this deception.

25 That's all I have.

1 THE COURT: Okay. Thank you.

2 We'll take a short recess. When I come back,  
3 I'll give you some rulings, and I also just want to hear if  
4 you all have any status update in light of the fact that we  
5 did get the claim construction out and what, if anything,  
6 you have to say about whether that has any impact at all on  
7 any of the motions that are currently in front of the Court.  
8 So I'll be back in a few minutes and we'll discuss that.

9 (Brief recess taken.)

10 THE COURT: Have a seat.

11 I am prepared to give you my ruling on the two  
12 motions that were argued today, and I'll do so in the order  
13 that you argued them.

14 So, first, we have the defendant's motion to  
15 dismiss with respect to claims 1 through 11 of the '428  
16 patent.

17 That motion is granted. As is clear, the  
18 plaintiffs were, throughout this case, asserting infringement  
19 of claims 1 through 11. They did so at least including  
20 through the time of serving infringement contentions.

21 The plaintiffs, it is also clear, are no  
22 longer asserting infringement of claims 1 through 11. The  
23 plaintiffs proposed a stipulation indicating that they were  
24 withdrawing those claims and that such withdrawal should be  
25 with prejudice but then inexplicably the plaintiffs refused

1 to execute and file that stipulation.

2 The defendants are, in the Court's view,  
3 entitled to as most certainty as we can give them that they  
4 will never be confronted again with claims 1 through 11 of  
5 the '428 patent, and the best we can do is a court order  
6 to that effect, and that is what I am providing to the  
7 defendants.

8 Therefore, the Court does hereby order that  
9 defendant's motion to dismiss is granted with respect to  
10 claims 1 through 11 of the '428 patent. The remaining  
11 asserted claims of the '428 patent are not affected by the  
12 Court's order.

13 Under the circumstances, I do want to enter a  
14 written order consistent with what I have just orally  
15 ordered, so I am directing that the defendants, by the end  
16 of the day Monday, submit a proposed form of order which  
17 will be agreed to by the plaintiff.

18 If, by chance, there is some disagreement with  
19 the form of the order, then you will have to submit to me  
20 your competing proposals and I'll resolve it at that point.

21 That is my ruling on the motion to dismiss.

22 Next is Twitter's motion for leave to file  
23 its first amended answer to add the affirmative defense of  
24 inequitable conduct and the related defense of unclean  
25 hands and the related counterclaim of unenforceability.



1 This motion is granted. The motion is governed  
2 by Rule 15 which provides, of course, a liberal standard  
3 favoring amendment and directs that leave to amend should be  
4 freely granted when justice so requires.

5 Here, while certainly other approaches to the  
6 approach that Twitter took may also be appropriate, it  
7 was not unreasonable here for Twitter to proceed as it did  
8 in that it accumulated evidence it believe supported an  
9 inequitable conduct counterclaim before seeking leave to  
10 amend its pleadings to add that. The evidence that it  
11 accumulated includes the deposition of Mr. Freudberg and  
12 also materials that the Court ordered Cooper to produce in  
13 connection with certain discovery disputes.

14 Twitter is not unduly delayed under the  
15 circumstances. Cooper is not unduly prejudiced by the  
16 leave requested. The amendment is not futile, although the  
17 merits of the inequitable conduct and related claims will  
18 be addressed in more detail in connection with the pending  
19 motions for summary judgment and/or at or after trial.

20 In addition, there is no evidence that the  
21 Court sees of Twitter's bad faith. Twitter's approach was  
22 particularly reasonable here given that they seek leave to  
23 plead essentially an identical claim to what is already in  
24 the case due to their codefendants' pleadings. Moreover,  
25 granting the relief requested by Twitter does not affect any

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1 other dates in the schedule. Moreover, under these  
2 circumstances, the Court finds, to the extent it needs to,  
3 good cause to amend the scheduling order to permit the  
4 amended pleading.

5 So the requested leave is granted and Twitter is  
6 directed to file its amended pleading by next Monday.

7 I also have made a determination on the  
8 sanctions request which was a matter that was outstanding  
9 from some time ago. That is, I had ruled that sanctions  
10 would be awarded in connection with a deposition but had  
11 not indicated or had not determined how much the sanctions  
12 would be, and you all submitted some additional submissions  
13 in compliance with the court order.

14 Having reviewed those submissions, I can now  
15 give you and hereby do rule on the request for sanctions.

16 Federal Signal requested sanctions of \$20,566.98,  
17 Plus an additional \$1,591. The entirety of Federal Signal's  
18 request is granted.

19 Everbridge had also requested sanctions I believe  
20 of approximately \$20,000. The entirety of Everbridge's  
21 request for sanctions is denied.

22 Let me explain how I reached these conclusions.

23 First, as a general matter, the Court ruling is  
24 submitted by Federal Rule of Civil Procedure 37(d). As the  
25 Court found on a teleconference on December 15th, 2011,

1 Cooper committed sanctionable conduct by producing a Rule  
2 30(b)(6) witness who was unprepared on certain topics.

3 Cooper's sanctionable conduct necessitated a  
4 second deposition which under the circumstances required  
5 Federal Signal to use a different attorney, albeit one who  
6 billed at a lower rate than the one who took the first  
7 deposition, but to use a different attorney who had to take  
8 a trip to New York and had to prepare for and take that  
9 second deposition, and then Federal Signal had to again pay  
10 for a videographer and the transcript.

11 The Court has reviewed the billing documentation  
12 submitted by Federal Signal as well as the other material,  
13 and rejects each and every argument made by Cooper against  
14 Federal Signal's request for the recovery of the money that  
15 I have ordered.

16 The Court did not intend by any of its  
17 statements on the teleconference on December 15th to rule  
18 out the possibility of awarding attorney fees to Federal  
19 Signal as part of the sanction it was imposing. Federal  
20 Signal did in fact incur additional attorney fees as a  
21 direct result of the earlier designated witness being  
22 unprepared to testify and Federal Signal deserves to be  
23 reimbursed for those attorney fee expenditures.

24 It is appropriate under the circumstances to  
25 reimburse Federal Signal for costs, including attorney

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1 fees associated with the preparation of its sanctions motion  
2 and its supporting documentation as none of that effort  
3 would have been necessary had Cooper either nonengaged in  
4 sanctionable conduct in the first instance or, having  
5 engaged in it, agreed, when Federal Signal requested it,  
6 to pay the costs and fees that Federal Signal incurred in  
7 connection with the second deposition.

8 Turning briefly to Everbridge's request for  
9 sanctions, which I have denied, the Court agrees with  
10 Everbridge that it too suffered, just like Federal Signal,  
11 from Cooper's sanctionable conduct and agreed that an award  
12 like that sought by Everbridge could be appropriate. And  
13 it is true also that during the December 15th teleconference  
14 the Court was contemplating that perhaps all defendants who  
15 had counsel present at the second deposition, it is the  
16 deposition of Mr. Lowry, it was possible, I was considering  
17 that all defendants who had counsel at that deposition might  
18 need to be reimbursed.

19 However, Everbridge did not move for such relief  
20 at an appropriate time which would have been in connection  
21 with Federal Signal's motion or certainly no later than  
22 during the December 15th teleconference. Therefore, Cooper  
23 was not on notice that it was defending against a sanctions  
24 request from anyone other than Federal Signal.

25 Federal Signal's letter, I am referring to DI

1 355, was ambiguous, at times stating that Federal Signal  
 2 seeks sanctions and at other times more broadly referencing  
 3 defendants, and nothing during the teleconference indicated  
 4 that Federal Signal's counsel that day was speaking on behalf  
 5 of all defendants, and the ambiguity here cuts against award-  
 6 ing sanctions to Everbridge, given that Cooper was not  
 7 properly on notice that it was defending against a sanctions  
 8 request from Everbridge as well as Federal Signal. Accordingly,  
 9 on reflection, it would be improper to award Everbridge  
 10 sanctions.

11 So that is the Court' ruling on sanctions.

12 I do want to see if any of you have any update  
 13 for us on the status of the case in light of the Markman  
 14 ruling and whether we're on track for trial in July and  
 15 anything else you think requires the Court's attention.

16 Mr. Rovner.

17 MR. ROVNER: Your Honor, we have looked at, we  
 18 reviewed your Honor's opinion. We are considering several  
 19 options. One may be that we might seek leave for brief  
 20 surreply because the briefing on the noninfringement motions  
 21 we believe would be impacted by what is your Honor's ruling.  
 22 So we're in the process of doing that, and we would like  
 23 perhaps a few more days to be able to tell you exactly where  
 24 we seek leave. It would be limited to the noninfringement  
 25 motions.

1 I would volunteer to work with defense counsel  
 2 to see if they would agree. They may also want leave to  
 3 file surreplies. I am not sure. Your decision obviously  
 4 impacts the infringement versus noninfringement briefing by  
 5 both sides.

6 THE COURT: Okay. Is there anything else in the  
 7 way of status that you think we should address at this time?

8 MR. ROVNER: Not at this time, your Honor. Is  
 9 it possible to get a date certain when we can alert you to  
 10 what our next move is?

11 THE COURT: Yes. I am going to first see what  
 12 defendants have to say, but I will do that.

13 Mr. Marton.

14 MR. MARTON: I think we're on track for the  
 15 summary judgment hearing and trial.

16 Your claim construction ruling came out before  
 17 our reply briefs were due and our arguments in our opening  
 18 briefs were consistent with your opinions anyway and we  
 19 affirmed that in our reply. So at least as of now, we don't  
 20 need additional briefing.

21 If plaintiffs need a surreply, we can consider  
 22 their reasons for it, and we probably agree that it is okay  
 23 if we can then respond to their arguments, if needed. And  
 24 that's about it.

25 We do have a question, defendants do, for

1 planning purposes. How much time do you think we might have  
 2 on March 9th for the summary judgment and Daubert motions?

3 THE COURT: Do you have a request for a  
 4 particular amount of time?

5 MR. MARTON: I haven't conferred with my  
 6 co-counsel on it.

7 THE COURT: All right.

8 MR. MARTON: I think a fair amount of time will  
 9 be needed. There are a lot of issues.

10 THE COURT: I will address it in a moment.  
 11 Is there anything else from defendants?

12 MR. COTTRELL: No, your Honor.

13 MR. HIGGINS: No, your Honor.

14 THE COURT: Okay.

15 MR. ROVNER: Your Honor, if you don't mind,  
 16 there was a good point. While their reply briefs on their  
 17 noninfringement motions, their reply briefs did postdate the  
 18 claim construction ruling, our opposition brief to the  
 19 noninfringement positions predated. That's why we're  
 20 seeking and I think would be limited to opposing their  
 21 motions for noninfringement.

22 THE COURT: Right. I appreciate you raising all  
 23 of those points.

24 I would like to hear back from the parties and  
 25 hereby order that you get back to me by the end of the day

1 Monday. At that time, let's have you put this in a joint  
 2 letter, tell me whether you have reached agreement on any  
 3 additional briefing.

4 I can tell you as guidance it seems to me  
 5 appropriate that there would be some surreply briefing in  
 6 light of the fact that the claim construction order came  
 7 out and the plaintiffs have not had a chance to address it  
 8 and whatever impact it may have on the motions. I won't  
 9 quite make that a ruling but that is my guidance. So see  
 10 if you can work out what to do in terms of timing and what  
 11 additional briefing might need to be filed. And also meet  
 12 and confer as to how much time you all think you might need  
 13 at any upcoming hearing to argue these motions.

14 Once I have that, I will get back to you on  
 15 those matters.

16 Is there anything further, Mr. Rovner?

17 MR. ROVNER: One final thing, and I am not even  
 18 sure that we need this, but with the motion to amend being  
 19 granted, you mentioned further discovery we would need. I  
 20 am not sure we will need any, but we may, so we would like  
 21 the opportunity to conduct that discovery, if need be.

22 THE COURT: My ruling today doesn't go to  
 23 whether or not there will be any additional discovery, so  
 24 you will see. If you think you need some and you don't get  
 25 it, then you will be back to me with respect to a discovery

03:02:55 1 dispute.

03:02:55 2 MR. ROVNER: Thank you, your Honor.

03:02:56 3 THE COURT: Is there anything else from

03:02:57 4 defendants?

03:02:58 5 MR. MARTON: Can I make one statement about the  
03:03:00 6 additional discovery?

03:03:01 7 THE COURT: Sure.

03:03:01 8 MR. MARTON: Plaintiffs have had notice of our  
03:03:05 9 intent to amend the pleading. In fact, we gave them an  
03:03:09 10 amended pleading on August 11th, 2011, which was more than  
03:03:12 11 two months before the close of discovery. They never served  
03:03:14 12 any discovery related to those additional allegations, and  
03:03:18 13 we don't think they should be entitled to serve any more at  
03:03:21 14 this point anyway. That's all.

03:03:24 15 THE COURT: That has been noted.

03:03:25 16 Is there anything else from defendants?

03:03:26 17 Okay. Thanks. We'll be in recess.

03:03:40 18 (Hearing ends at 3:03 p.m.)

19

20 I hereby certify the foregoing is a true and accurate  
21 transcript from my stenographic notes in the proceeding.

22 /s/ Brian P. Gaffigan  
23 Official Court Reporter  
24 U.S. District Court  
25